

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 ARA-16 SPC-03 AID-20 EB-11 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 MC-02 DODE-00 NSCE-00 SSO-00 USIE-00

INRE-00 PM-07 H-03 L-03 PA-04 PRS-01 DRC-01 /176 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 2863

INFO AMCONSUL MONTREAL

AMCONSUL TORONTO

UNCLAS OTTAWA 0626

E.O. 11652: N/A

TAGS: ESTC, CU, CA

SUBJECT: CUBAN ASSETS CONTROL AND QUEBEC LOCOMOTIVE SALE

REF: OTTAWA 616

1. BEGIN SUMMARY. DURING HOUSE OF COMMONS QUESTION PERIOD MARCH 5, ROBERT STANFIELD, LEADER OF THE OPPOSITION MOVED THAT THE GOVERNMENT BE INSTRUCTED TO ENSURE THAT ANY COMPANY RECEIVING THE ASSISTANCE OF PUBLIC FUNDS CONDUCT ITS CANADIAN OPERATIONS SOLELY BY RULE OF CANADIAN LAW. EDWARD BROADBENT (NDP - OSHAWA-WHITBY) MOVED THAT THE HOUSE INSTRUCT THE GOVERNMENT TO INTERVENE DIRECTLY IN THE SALE OF THE LOCOMOTIVES TO CUBA. BOTH MOTIONS WERE MADE UNDER THE PROVISIONS OF STANDING ORDER 43 AND FAILED TO RECEIVE THE UNANIMOUS CONSENT OF THE HOUSE NECESSARY FOR THEM TO BE DEBATED. IN RESPONSE TO QUESTIONS, INDUSTRY, TRADE AND COMMERCE MINISTER GILLESPIE SAID THAT HE TOLD MLW-WORTHINGTON OFFICIALS THAT HE WOULD EXPECT ITS U.S. CITIZEN DIRECTORS TO RESIGN IF THIS ACTION WOULD

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RESOLVE THE PROBLEM. THE PRIME MINISTER, HOWEVER, SAID

THAT RESIGNATIONS WOULD BE ONLY ONE OF SEVERAL POSSIBLE APPROACHES. HE FURTHER STATED THAT THE GOC HAS THE MEANS TO ENSURE THAT THE LOCOMOTIVE DEAL GOES THROUGH AND THAT IT WILL EXERCISE THOSE MEANS. END SUMMARY.

2. FOLLOWING IS THE UNITED TEXT OF MOTIONS IN THE HOUSE, QUESTIONS BY MEMBERS EDWARD BROADBENT AND GEORGE HEES (PC - PRINCE EDWARD-HASTINGS), AND RESPONSES MADE BY INDUSTRY, TRADE AND COMMERCE MINISTER GILLESPIE, EXTERNAL AFFAIRS MINISTER SHARP, AND PRIME MINISTER TRUDEAU:

BEGIN TEXT.

STANFIELD: UNDER THE PROVISIONS OF STANDING ORDER 43 I RISE ON A MATTER OF URGENT AND PRESSING NECESSITY DEALING WITH THE EXTRATERRITORIAL CONSTRAINTS WHICH ARE HOLDING UP THE SALE OF SOME \$25 MILLION WORTH OF LOCOMOTIVES TO CUBA. INASMUCH AS SOME \$50 MILLION IN CANADIAN PUBLIC FINANCING HAS BEEN ASSIGNED TO THE BENEFIT OF THE CANADIAN SUBSIDIARY INVOLVED THROUGH THE EXPORT DEVELOPMENT CORPORATION, ITS SUBSERVIENCE TO FOREIGN LAWS IS INTOLERABLE. I MOVE, SECONDED BY THE HON. MEMBER FOR SAINT JOHN-LANCASTER (MR. BELL): THAT THE GOVERNMENT BE INSTRUCTED BY THE HOUSE TO IMMEDIATELY ENSURE THAT ANY COMPANY RECEIVING ASSISTANCE OF PUBLIC FUNDS CONDUCT ITS OPERATIONS IN CANADA SOLELY BY RULE OF CANADIAN LAW.

(MOTION DID NOT RECEIVE UNANIMOUS CONSENT.)

BROADBENT: I TOO RISE UNDER THE PROVISIONS OF STANDING ORDER 43 TO REFLECT THE FRUSTRATIONS OF THE MLW-WORTHINGTON COMPANY OF MONTREAL IN ITS ATTEMPTS TO SELL LOCOMOTIVES TO THE GOVERNMENT OF CUBA, AND I WELCOME THE CONSERVATIVE PARTY TO AN AWARENESS OF THIS IMPORTANT ISSUE. I MOVE, SECONDED BY THE HON. MEMBER FOR BRANT (MR. BLACKBURN):

THAT THIS HOUSE INSTRUCTS THE GOVERNMENT TO
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ACT UNDER THE PROVISIONS OF ARTICLE 4 OF THE CANADIAN COMMERCIAL CORPORATION ACT TO INTERVENE DIRECTLY TO ENSURE THAT LOCOMOTIVES PRODUCED BY MLW-WORTHINGTON OF MONTREAL ARE SOLD TO CUBA.

(MOTION DID NOT RECEIVE UNANIMOUS CONSENT.)

BROADBENT: IN VIEW OF THE FACT THAT SECTION 4 OF THE CANADIAN COMMERCIAL CORPORATION ACT GIVES THE MINISTER OR THE CABINET SPECIFIC AUTHORITY TO ISSUE A "SPECIAL DIRECTION", TO ENSURE THAT THE TRADE OBJECTIVES OF THE GOVERNMENT ARE CARRIED OUT THROUGH THE CANADIAN COMMERCIAL CORPORATION, I WOULD ASK THE MINISTER IF HE WILL ASSURE THE HOUSE THAT HE OR SOME OTHER MINISTER WILL ISSUE SUCH DIRECTIVE, TO ENSURE THAT THE DISCUSSED SALE OF THE LOCOMOTIVES, PURCHASED IN MONTREAL, TO THE GOVERNMENT OF CUBA WILL BE PROCEEDED WITH.

GILLESPIE: A VERY FEW MINUTES AGO I WAS TALKING TO THE PRESIDENT OF THE CANADIAN COMPANY WITH RESPECT TO THIS PARTICULAR TRANSACTION. I ASKED HIM WHAT THE STATUS OF THE APPLICATION FOR WAIVER WAS. HE TOLD ME IT HAD NOT YET BEEN ACTED UPON. I EXPRESSED THE VIEW TO HIM THAT IF THE PROBLEM, ESSENTIALLY A U.S. PROBLEM OF U.S. LAW AND U.S. CITIZENS . . . COULD BE RESOLVED BY THE RESIGNATION OF THOSE DIRECTORS, I WOULD EXPECT THAT RESIGNATION TO TAKE PLACE FORTHWITH.

BROADBENT: IN VIEW OF THE STATEMENT OR ANSWER JUST GIVEN TO THE HOUSE BY THE MINISTER OF INDUSTRY, TRADE AND COMMERCE AND ITS FULL IMPLICATIONS, I WOULD ASK THE PRIME MINISTER TO MAKE CLEAR TO THE HOUSE WHAT I UNDERSTOOD TO BE THE FORCE OF THE ANSWER. IS IT NOW GOVERNMENT POLICY THAT IF ANY SUBSIDIARY, AMERICAN OR FOREIGN, LOCATED IN CANADA DOES NOT CONDUCT TRADING POLICIES WHICH ARE IN ACCORD WITH THE GENERAL WISHES OF THE GOVERNMENT, THE GOVERNMENT EXPECTS THE DIRECTORS, IN THIS RELEVANT CASE THE AMERICAN DIRECTORS, OF SUCH CORPORATION TO RESIGN?

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TRUDEAU: I THINK THE NON-MEMBER HAS INDICATED ONE COURSE, RESIGNATION. WE HOPE TO OBTAIN THE SAME RESULTS BY AN OPTION, BY A SERIES OF APPROACHES TO THIS. IT MAY NOT BE BY RESIGNATION. IT MAY BE BY MORAL SUASION; IT MAY BE BY TALKING TO THE AMERICAN GOVERNMENT. THE IMPORTANT THING FOR THE HOUSE AND THE CANADIAN PUBLIC TO KNOW IS THAT THE CANADIAN GOVERNMENT HAS MEANS TO MAKE SURE THAT THIS KIND OF DEAL WHICH IS TO THE PROFIT OF CANADIAN COMPANIES DOES GO THROUGH. WE HAVE THE MEANS TO
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